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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): November 12, 2015 (November 11, 2015)**

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**Synacor, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-33843**  
(Commission  
File Number)

**16-1542712**  
(IRS Employer  
Identification No.)

**40 La Riviere Drive, Suite 300, Buffalo, New York**  
(Address of principal executive offices)

**14202**  
(Zip Code)

**Registrant's telephone number, including area code: (716) 853-1362**

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.02. Results of Operations and Financial Condition.**

On November 11, 2015, Synacor, Inc. issued a press release announcing, and hosted a publicly accessible conference call to discuss, its financial results for the quarter ended September 30, 2015. The full text of the press release and the script used for the conference call are attached hereto as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein by reference.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.****(d) Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release issued by Synacor, Inc. dated November 11, 2015
99.2	Script from conference call hosted by Synacor, Inc. on November 11, 2015

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Synacor, Inc.

By: /s/ William J. Stuart

William J. Stuart  
Chief Financial Officer and Secretary

Date: November 12, 2015

**Synacor Beats Quarterly Revenue and Adjusted EBITDA Guidance,  
Raises 2015 Full-Year Revenue and Adjusted EBITDA Guidance**

- *Revenue of \$26.4 million in Q3 2015 exceeds guidance range of \$23.0 to \$24.0 million*
- *Adjusted EBITDA of \$2.0 million in Q3 2015 exceeds guidance range of \$0.1 to \$0.6 million*
- *Adjusted EBITDA of \$2.0 million in Q3 2015 up from \$0.1 million in Q3 2014*
- *Several customer renewals; wins include email and video solutions*

**BUFFALO, N.Y., November 11, 2015 (GLOBE NEWSWIRE)** - Synacor Inc. (NASDAQ:SYNC), the trusted multiscreen technology and monetization partner for video, internet and communications providers, device manufacturers, and enterprises, today announced its financial results for the quarter ended September 30, 2015.

“This has been a strong third quarter for Synacor. We closed the acquisition of Zimbra, a global leader in email and messaging software, and we are already making progress capturing cost and revenue synergies. Advertising continues to deliver, with year-over-year revenue up 17%. And a customer win provides early evidence that video will be an important growth business for Synacor,” said Synacor CEO Himesh Bhise. “We continue to execute against our strategy, delivering the results we’ve promised. For the fifth consecutive quarter, Synacor has met or beat guidance on both quarterly revenue and adjusted EBITDA. We are once again raising guidance for full-year 2015 revenue and adjusted EBITDA.”

***Q3 2015 Financial Results***

**Revenue** : For the third quarter of 2015, total revenue was \$26.4 million, an increase of 1% compared to \$26.2 million in the third quarter of 2014. Search and advertising revenue was \$19.4 million, a decrease of 6% compared to \$20.6 million in the third quarter of 2014. Advertising revenue stand-alone was \$12.0 million, a 17% increase compared to \$10.3 million in the third quarter of 2014. Subscription-based revenue was \$7.0 million, an increase of 23% compared to \$5.7 million in the third quarter of 2014.

For the third quarter of 2015, Synacor averaged 20.6 million multiplatform unique visitors per month, compared to 20.7 million in the third quarter of 2014.

**Adjusted EBITDA** : For the third quarter of 2015, adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA), which excludes stock-based compensation expense and \$0.5 million in Zimbra acquisition costs, was \$2.0 million, or 8% of revenue, compared to \$0.1 million, which excluded restructuring costs of \$1.3 million, for the third quarter of 2014.

**Net Income** : For the third quarter of 2015, net loss was \$0.9 million, compared to net loss of \$2.6 million in the third quarter of 2014. Earnings per share, or EPS, were a loss of \$0.03. The net loss includes stock-based compensation expense of \$0.8 million, or \$0.03 per share, in the third quarter of 2015, as compared to \$1.2 million, or \$0.04 per share, in the third quarter of 2014. The EPS calculations for the third quarter of 2015 are based on 27.9 million weighted average common shares outstanding. The EPS calculations for the third quarter of 2014 are based on 27.4 million weighted average common shares outstanding.

**Cash** : The Company ended the third quarter of 2015 with \$15.6 million in cash and cash equivalents, compared to \$27.1 million at the end of the prior quarter. Cash generated by operating activities was \$2.0 million for the third quarter of 2015, compared to \$0.5 million used in operating activities in the same period of the prior year. Net cash increased \$0.8 million following the acquisition of Zimbra.

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### **Sample of Q3 Highlights**

- Synacor’s end-to-end video solution was selected by a regional full-service communications provider for in-home and out-of-home multiplatform video services
- We released our Cloud ID SDK for both iOS and Android and added mobile app-to-app single-sign-on capability, making it easier to sell and deploy our authentication products
- We won several email engagements including MPT, the leading service provider for Internet and mobile phones in Myanmar; Satish Dhawan Space Centre, the national space institute for India; the Ministry of Foreign Affairs of the Russian Federation; and the New York State Assembly

### **Business Outlook**

Bhise continued, “These are exciting times at Synacor. We are participating in attractive high-growth markets, and have created a broad customer platform—extending to roughly 120 service providers, 3500 businesses, and over 1500 reseller partners worldwide—placing us at the center of today’s most powerful digital trends including Advertising, Multiplatform Video, and Messaging.”

Based on information available as of November 11, 2015, the company is providing financial guidance for the fourth quarter and fiscal 2015 as follows:

- **Q4 2015 Guidance** : Revenue for the fourth quarter of 2015 is projected to be in the range of \$29.0 million to \$31.0 million. The company expects to report adjusted EBITDA of \$0.8 million to \$1.8 million.
- **Fiscal 2015 Guidance** : Revenue for the full year of 2015 is projected to be in the range of \$107.0 million to \$109.0 million. For the full year of 2015, the company expects to report adjusted EBITDA of \$5.5 million to \$6.5 million.

### **Conference Call Details**

Synacor will host a conference call today at 5 p.m. ET to discuss the third quarter financial results with the investment community. The live webcast of Synacor’s earnings conference call can be accessed at <http://investor.synacor.com/events.cfm>. To participate, please login approximately ten minutes prior to the webcast. For those without access to the Internet, the call may be accessed toll-free via phone at (877) 837-3911, with conference ID 55621180, or callers outside the U.S. may dial (253) 237-1167. Following completion of the call, a recorded webcast replay will be available on Synacor’s website through November 18, 2015. To listen to the telephone replay, call toll-free (855) 859-2056, or callers outside the U.S. may dial (404) 537-3406. The conference ID is 55621180.

### **About Synacor**

Synacor (NASDAQ: SYNC) is the trusted technology development, multiplatform services and revenue partner for video, internet and communications providers, device manufacturers, and enterprises. We deliver modern, multiscreen experiences and advertising to their consumers that require scale, actionable data and sophisticated implementation. [www.synacor.com](http://www.synacor.com)

The Synacor logo is available at <http://www.globenewswire.com/newsroom/prs/?pkgid=11609>

### **Non-GAAP Financial Measures**

The company uses certain non-GAAP financial measures in this release. Generally, a non-GAAP financial measure is a numerical measure of a company’s performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles (GAAP).

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We report adjusted EBITDA because it is a key measure used by our management and Board of Directors to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget and to develop short- and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and Board of Directors.

For a reconciliation of adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, please refer to the table “Reconciliation of GAAP to Non-GAAP Measures” in this press release.

### ***Safe Harbor Statement***

“Safe Harbor” statement under the Private Securities Litigation Reform Act of 1995: This press release contains forward-looking statements concerning Synacor’s expected financial performance (including, without limitation, statements and information in the Business Outlook section and the quotations from management), as well as Synacor’s strategic and operational plans. The achievement or success of the matters covered by such forward-looking statements involves risks, uncertainties and assumptions. If any such risks or uncertainties materialize or if any of the assumptions prove incorrect, the company’s results could differ materially from the results expressed or implied by the forward-looking statements the company makes.

The risks and uncertainties referred to above include - but are not limited to - risks associated with: execution of our plans and strategies; the loss of a significant customer; our ability to obtain new customers; expectations regarding consumer taste and user adoption of applications and solutions; developments in Internet browser software and search advertising technologies; general economic conditions; expectations regarding the company’s ability to timely expand the breadth of services and products or introduction of new services and products; consolidation within the cable and telecommunications industries; changes in the competitive dynamics in the market for online search and display advertising; the risk that security measures could be breached and unauthorized access to subscriber data could be obtained; potential third party intellectual property infringement claims; and the price volatility of our common stock.

Further information on these and other factors that could affect the company’s financial results is included in filings it makes with the Securities and Exchange Commission from time to time, including the section entitled “Risk Factors” in the company’s most recent Form 10-K, as amended, filed with the SEC. These documents are available on the SEC Filings section of the Investor Information section of the company’s website at <http://investor.synacor.com/>. All information provided in this release and in the attachments is available as of November 11, 2015, and Synacor undertakes no duty to update this information.

### ***Contacts***

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**Synacor, Inc.**  
**Condensed Consolidated Balance Sheets**  
(In thousands)  
(Unaudited)

	As of <u>December 31,</u> 2014	As of <u>September 30,</u> 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 25,600	\$ 15,569
Accounts receivable, net	20,479	20,810
Prepaid expenses and other current assets	2,292	2,254
Total current assets	48,371	38,633
Property and equipment, net	15,128	14,698
Other long-term assets	101	262
Goodwill	1,565	14,743
Intangible assets	—	16,130
Investments	1,073	1,016
<b>Total Assets</b>	<b>\$ 66,238</b>	<b>\$ 85,482</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 12,545	\$ 11,625
Accrued expenses and other current liabilities	7,761	7,394
Current portion of deferred revenue	642	7,652
Current portion of capital lease obligations	1,150	1,412
Total current liabilities	22,098	28,083
Long-term portion of capital lease obligations	1,383	1,102
Revolving line of credit	—	4,940
Deferred revenue	—	2,952
Other long-term liabilities	275	2,147
<b>Total Liabilities</b>	<b>23,756</b>	<b>39,224</b>
<b>Stockholders' Equity:</b>		
Common stock	279	311
Treasury stock	(1,142)	(1,232)
Additional paid-in capital	105,961	112,880
Accumulated deficit	(62,636)	(65,688)
Accumulated other comprehensive income	20	(13)
Total stockholders' equity	42,482	46,258
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 66,238</b>	<b>\$ 85,482</b>

**Synacor, Inc.**  
**Condensed Consolidated Statements of Operations**  
(In thousands except share and per share amounts)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2014	2015	2014	2015
Revenue	\$ 26,231	\$ 26,351	\$ 75,670	\$ 77,797
Costs and operating expenses:				
Cost of revenue (1)	14,386	13,298	41,404	40,205
Technology and development (1)(2)	7,577	4,361	22,188	12,229
Sales and marketing (2)	2,601	4,274	7,194	11,475
General and administrative (1)(2)	4,090	3,712	10,689	11,996
Depreciation and amortization	1,133	1,560	3,308	4,716
Gain on sale of domain	—	—	(1,000)	—
Total costs and operating expenses	<u>29,787</u>	<u>27,205</u>	<u>83,783</u>	<u>80,621</u>
Loss from operations	(3,556)	(854)	(8,113)	(2,824)
Other (expense) income	(14)	(32)	—	(31)
Interest expense	(75)	(35)	(186)	(144)
Loss before income taxes and equity interest	(3,645)	(921)	(8,299)	(2,999)
(Benefit) provision for income taxes	(1,288)	—	(2,613)	20
Loss on equity interest	(239)	—	(829)	(57)
Net loss	<u>\$ (2,596)</u>	<u>\$ (921)</u>	<u>\$ (6,515)</u>	<u>\$ (3,076)</u>
Net loss per share:				
Basic	<u>\$ (0.09)</u>	<u>\$ (0.03)</u>	<u>\$ (0.24)</u>	<u>\$ (0.11)</u>
Diluted	<u>\$ (0.09)</u>	<u>\$ (0.03)</u>	<u>\$ (0.24)</u>	<u>\$ (0.11)</u>
Weighted average shares used to compute net loss per share:				
Basic	<u>27,378,299</u>	<u>27,924,939</u>	<u>27,391,159</u>	<u>27,617,125</u>
Diluted	<u>27,378,299</u>	<u>27,924,939</u>	<u>27,391,159</u>	<u>27,617,125</u>

Notes:

- (1) Exclusive of depreciation shown separately.
- (2) Includes stock-based compensation as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2015	2014	2015
Technology and development	\$ 691	\$ 224	\$ 1,392	\$ 694
Sales and marketing	129	231	361	716
General and administrative	406	355	1,001	942
	<u>\$ 1,226</u>	<u>\$ 810</u>	<u>\$ 2,754</u>	<u>\$ 2,352</u>

**Synacor, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Nine months ended September 30,	
	2014	2015
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (6,515)	\$ (3,076)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	3,308	4,716
Stock-based compensation expense	2,754	2,352
Gain on sale of domain	(1,000)	—
Provision for deferred income taxes	(2,636)	—
Loss in equity investment	829	57
Change in assets and liabilities net of effect of acquisition:		
Accounts receivable, net	(2,338)	3,169
Prepaid expenses and other current assets	(84)	584
Other long-term assets	221	59
Accounts payable	(2,099)	(1,003)
Accrued expenses and other current liabilities	1,714	(215)
Deferred revenue	163	(706)
Other long-term liabilities	(611)	217
<b>Net cash (used in) provided by operating activities</b>	<b>(6,294)</b>	<b>6,154</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(3,945)	(2,474)
Investment in equity interest	(605)	—
Proceeds from sale of domain	1,000	—
Acquisition net of cash acquired	—	(17,260)
<b>Net cash used in investing activities</b>	<b>(3,550)</b>	<b>(19,734)</b>
<b>Cash Flows from Financing Activities:</b>		
Repayments on capital lease obligations	(1,700)	(975)
Proceeds from bank financing	—	4,940
Proceeds from exercise of common stock options	62	70
Purchase of treasury stock	(562)	—
Deferred acquisition payment	—	(495)
<b>Net cash (used in) provided by financing activities</b>	<b>(2,200)</b>	<b>3,539</b>
Effect of exchange rate changes on cash and cash equivalents	6	10
Net decrease in Cash and Cash Equivalents	(12,038)	(10,031)
Cash and Cash Equivalents at beginning of period	36,397	25,600
Cash and Cash Equivalents at end of period	<b>\$ 24,359</b>	<b>\$ 15,569</b>

**Synacor, Inc.**  
**Reconciliation of GAAP to Non-GAAP Measures**  
**(In thousands)**  
**(Unaudited)**

The following table presents a reconciliation of net loss to adjusted EBITDA for each of the periods indicated:

	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>
<b>Reconciliation of Adjusted EBITDA:</b>				
Net loss	\$(2,596)	\$ (921)	\$(6,515)	\$(3,076)
(Benefit) provision for income taxes	(1,288)	—	(2,613)	20
Interest expense	75	35	186	144
Other expense (income)	14	32	—	31
Depreciation and amortization	1,133	1,560	3,308	4,716
Stock-based compensation	1,226	810	2,753	2,352
Loss on equity interest	239	—	829	57
Gain on sale of domain	—	—	(1,000)	—
Reduction in workforce severance and related costs	1,260	—	1,260	—
Acquisition costs	—	478	—	478
<b>Adjusted EBITDA</b>	<b><u>\$ 63</u></b>	<b><u>\$ 1,994</u></b>	<b><u>\$(1,792)</u></b>	<b><u>\$ 4,722</u></b>



**Synacor (SYNC) Q3 Financial Results Conference Call November 11, 2015**

**Denise Garcia, ICR**

Good afternoon. Welcome to Synacor's third quarter 2015 earnings call. Joining me today to discuss Synacor's results are CEO, Himesh Bhise, and CFO, Bill Stuart. Before we begin, I would like to take this opportunity to remind you that during the course of this call, management will make forward-looking statements which are subject to various risks and uncertainties. Actual results may differ materially from the results predicted and reported results should not be considered as an indication of future performance. Further information on these and other factors that could affect the company's financial results is included in filings it makes with the Securities and Exchange Commission from time to time, including the section entitled "Risk Factors" in the company's most recent Form 10-Q filed with the SEC on August 14, 2015.

Also, I would like to remind you that during the course of this conference call we will discuss non-GAAP measures in talking about the Company's performance. Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in today's press release.

And now I'll turn the call over to Himesh Bhise, Synacor's CEO.



**Himesh Bhise, CEO**

Thank you, Denise, and welcome everyone to today's conference call.

This has been an exciting quarter for Synacor. We've closed the acquisition of Zimbra. We continue to make good progress in executing against our growth strategy. And we are delivering the results we've promised.

I'm pleased to report that Synacor's revenue for the third quarter of 2015 was \$26.4 million, an increase of 1% over Q3 last year, and beating our guidance range of \$23-\$24 million. Our Adjusted EBITDA, excluding costs associated with the acquisition of Zimbra, was \$2.0 million, compared to \$100 thousand in Q3 last year, and also significantly beating our guidance range of \$100 thousand to \$600 thousand. And we continue to generate cash – excluding the Zimbra acquisition, Synacor added \$800 thousand in net cash for the quarter.

Our Q3 results include \$0.9 million – two weeks of consolidated Zimbra performance, but I'm pleased to report that Synacor beat its Revenue and Adjusted EBITDA guidance, even net of these Zimbra numbers.

On today's call I will review our acquisition rationale for Zimbra, share key achievements from the Quarter, turn it over to Bill for detail on our financial results, and then discuss why we remain enthusiastic about the go-forward potential for Synacor.



**Most notably, we've closed our acquisition of Zimbra, and are beginning to capture cost and revenue synergies**

On August 18<sup>th</sup> we announced our intent to acquire certain assets from Zimbra, a Leading Provider of Open Source Based Email and Messaging Software. We closed the acquisition on September 14<sup>th</sup>, weeks ahead of schedule, and are already making progress capturing cost and revenue synergies.

We will be finalizing and filing Zimbra's pro-forma financials on a form 8-K in the next couple of weeks, but I wanted to share some estimates with you today. Zimbra's revenues for the email business over the recent 9-month period were \$23.2 million and Adjusted EBITDA was \$2.4 million. However, after revaluation of deferred revenue and adjustments for operating expenses, the pro-forma business that transfers to Synacor over this 9-month period would be approximately \$20.2 million in revenue and \$3.4 million in Adjusted EBITDA.

Synacor acquired Zimbra for \$17.3 million in cash, 3 million shares, 0.6 million warrants priced at \$3.00 per share, and up to \$2 million in earn-outs subject to Zimbra's performance over the next 18 months.

The acquisition of Zimbra creates meaningful cost and revenue synergies – it will extend Synacor's leadership in ISP solutions, will accelerate our stated strategy to expand in international and enterprise markets, and will strengthen Synacor's financial profile and competitiveness.

- The combined company will serve over 120 service provider customers around the world
- Zimbra brings hundreds of millions of free and paying users in 135 countries, adds over 2500 small business customers and over 900 government customers
- Zimbra adds a valuable partner network of a 1000 value added resellers and 500 hosting partners. This will accelerate Synacor's stated strategy to selectively and cost-effectively extend its portal, advertising, authentication, and video solutions to international and enterprise markets.
- Adding Zimbra's international revenues, service provider and enterprise customer base, and software licensing model to Synacor's service provider customer base, US-focused revenues, advertising and managed service model, strengthens the financial profile and competitiveness of the combined company by diversifying us across customers, geographies, products, and business models

The integration of Synacor and Zimbra, and the resulting value creation is already well underway as we structure around common goals, consolidate product roadmaps, integrate office systems, and combine organizations. The teams are excited and working very well together. We've identified and called on customers that would benefit from our combined services. We are winning new email business. And customers and partners around the world are responding well to the logic of the combination and see a great deal of synergy. I have witnessed this first-hand during my recent meetings in Japan and Europe.



We've announced that we are committed to continuing the open source version of Zimbra used by hundreds of millions of people around the world. And today, I'm pleased to announce a new program to provide technical support to users of Zimbra's Open Source edition, including a Service Level Agreement, officially supported product patches, and upgrade assistance. We also will support free and proprietary extensions to Zimbra's Open Source edition, increasing the value our customers receive from their open source deployments. We believe this open source support program, which we plan to launch in Q1 2016, represents both an exciting new revenue opportunity for Synacor and our partners, and underscores proof of Synacor's commitment to embracing and growing the Zimbra Open Source community.

All this progress and market feedback gives us increased confidence about the merits of the transaction.

**Also, Synacor's four-pillar strategy for profitable growth is working, and we continue to deliver against our business performance targets**

I'd like to share a few achievements from this quarter, against each of our four strategic pillars:

**Pillar 1: We are increasing value for our existing customers by optimizing user experience and monetization**

- 70% of our users are now on our next-generation of portal, that has helped to drive a 11% increase in year-over-year engagement, measured by average time spent on our sites per user per month
- Our advertising business delivered revenues of \$12.0 million for the quarter, growing 17% year-over-year. We saw growth in CPMs driven by disciplined sales, a more valuable portfolio of advertising inventory, and 'smart' ad operations

**Pillar 2: We continue to innovate and establish Synacor-as-a-platform for advanced services**

- We made great strides with our Cloud ID authentication platform this quarter. We released our Cloud ID SDK for both iOS and Android and added mobile app-to-app single-sign-on capability. These features are available via our Developer Portal, making it easier for us and our partners to sell the product and for our customers to quickly deploy the product
- In our last few financial calls, I've shared with you the progress we have been making standing up our end-to-end video solution, including the acquisition of NimbleTV and the strategic partnership with Siemens. I'm pleased to announce today, that a regional full-service communications provider has selected Synacor's end-to-end video solution to launch an in-home and out-of-home advanced video service. Multi-platform Video continues to be an important area of focus for our customers – and we are excited that we will be making additional customer announcements in the coming months

## **Pillar 3: We are winning and renewing customers**

- We renewed our partnership with a regional Broadband Services Provider to offer managed service email
- We announced a multiyear renewal with Grande Communications that includes our Next-Gen Portal, Cloud ID Authentication, and our Metadata platform for Video Search & Discovery.
- A large European telecommunications service provider selected Zimbra to expand into a B2B hosted email offering.
- We beat out competitors and won a public bid to deliver email for MPT – the leading service provider for Internet and mobile phones in Myanmar.

## **Pillar 4: We are extending into growth areas of international and enterprise, leveraging Zimbra's market presence and partner network**

- We signed one of the leading retailers in Indonesia for email.
- We signed the Satish Dhawan Space Centre – the national space institute for India (like India's NASA).
- In Eastern Europe, we signed the Ministry of Foreign Affairs of the Russian Federation.
- We won a public bid for email with the New York State Assembly.
- And we continue to sign new reseller partners – adding 61 new Value-added-Resellers and 26 new hosting providers. In 2016, we expect many of these partners will also be reselling select Synacor products in addition to Zimbra email.



With the progress we've made against our strategic initiatives, we are pleased to increase our guidance, again, for the full year 2015. We are increasing our Revenue guidance range to \$107 to \$109 million, from \$102 to \$108 million previously. And we are increasing our Adjusted EBITDA guidance range to \$5.5 to \$6.5 million, up from \$4.0 to \$6.0 million previously.

I'll come back and discuss Synacor's go-forward potential after Bill takes you through our financial results in more detail. Bill?



**Bill Stuart, CFO**

Thank you, Himesh. Before I discuss our results, I want to remind everyone that our non-GAAP financial measures exclude stock-based compensation expenses. Please refer to our press release and SEC filings for the GAAP to non-GAAP reconciliations.

**Synacor beat Revenue and Adjusted EBITDA Guidance—both substantially—for the third Quarter of 2015, and is increasing Guidance again for Fiscal 2015**

Third quarter revenue was \$26.4 million on a consolidated basis, including a two-week contribution of \$900 thousand from Zimbra. Looking more closely at the different components of our revenue, advertising continued its upward swing, up 17%, totaling \$12.0 million for the quarter, compared to revenue of \$10.3 million in the third quarter last year. Search revenue was \$7.4 million in the third quarter, a decline of 28% compared to \$10.3 million in the third quarter last year and up slightly from \$7.3 million in the second quarter.

Subscriber or fee-based revenue was \$7.0 million, representing about 23% growth compared to the third quarter of 2014, driven by our email and Cloud ID solutions.

For the third quarter, Adjusted EBITDA was \$2.0 million, excluding \$500 thousand of one-time acquisition costs, or 8% of revenue, compared to \$100 thousand in

the third quarter of 2014, excluding \$1.3M of organizational restructuring costs in that quarter.

Synacor's GAAP net loss was \$0.9 million or, on a per share basis, a loss of \$0.03, compared to a net loss of \$2.6 million, or \$0.09 per share, in the third quarter of 2014. The net loss includes stock-based compensation expense of \$0.8 million or \$0.03 per share for the third quarter of 2015, as compared to \$1.2 million, or \$0.04 per share for Q3 2014. The EPS calculation for the third quarter of 2015 is based on 27.9 million weighted average common shares outstanding and for Q3 2014 is based on 27.4 million weighted average common shares outstanding.

According to comScore, Synacor engaged 20.6 million average multiplatform monthly unique visitors, that is, visitors across desktop and mobile in the third quarter, about flat compared to the same quarter last year, which was at 20.7 million, but up from 20.0 million in the 2<sup>nd</sup> quarter of this year.

Turning to costs and expenses, cost of revenue, as a percentage of revenue, was 50% for the quarter. Total operating expenses, excluding stock-based compensation and depreciation (and excluding acquisition costs referred to earlier), were \$11.1 million for the quarter, or 42% of revenue compared to \$11.8 million (excluding the restructuring costs referred to earlier) or 45% of revenue in the same period last year. As a percentage of revenue: Technology and Development expenses were 16%; Sales & Marketing expenses were 15%; and G&A expenses were 11%.



We ended the quarter with \$15.6 million in cash and cash equivalents, inclusive of the effects of the Zimbra acquisition, compared to \$27.1 million at the end of the prior quarter. In the third quarter we generated \$2.0 million in cash from operating activities, compared to a use of \$0.5 million in the third quarter of 2014.

To conclude, I would like to share my thoughts regarding guidance for the fourth quarter and full year 2015. For the fourth quarter, we expect revenue within the range of \$29 million to \$31 million and adjusted EBITDA in the range of \$800 thousand to \$1.8 million. We expect fourth quarter stock-based compensation expense within the range of \$800 thousand to \$900 thousand. Depreciation, other income/(expense), and loss in equity interest is expected to be within a range of \$1.5 million to \$1.7 million. Also, we expect approximately 29.7 million weighted average shares outstanding in the fourth quarter.

We continue to execute well against our strategic plan and remain committed to deliver positive EBITDA. For the full year 2015 we are increasing our revenue range to \$107 million to \$109 million and we are increasing our adjusted EBITDA guidance to \$5.5 million to \$6.5 million.

With that, I'll turn the call over to Himesh. Himesh?



**Himesh Bhise, CEO**

Thank you, Bill. This Quarter's results reflect our fifth consecutive Quarter of meeting or beating our Revenue and Adjusted EBITDA performance targets.

Since August of last year, to offset revenue risk from desktop search and customer concentration, we have been repositioning Synacor into large and high growth market categories. We executed our first revenue shift last Fall when we started expanding our Advertising business. You've already seen the results from this initiative in our financials. Year-to-date 2015, Advertising revenues have grown 40% over the same period last year.

We are now executing our second important revenue shift. We are aggressively moving to a recurring revenue model, the bulk of which is providing SaaS – software-as-a-service. Our principal SaaS products are Cloud ID authentication, hosted email, and our newly launched end-to-end TVE and OTT video solution. We are beginning to see the positive financial impact from this initiative already:

- 27% of all of Synacor's revenue in Q3 2015, or about \$7 million for the Quarter, was fee-based, compared to 22% last year.
- About \$5 million, the bulk of this fee-based revenue in Q3 2015, was SaaS revenue, and this revenue grew 35% year-over-year.
- As our recurring revenues grow, so do company margins. Our gross margin in Q3 2015 was 50% of revenues, compared to 45% a year ago, a margin expansion of about 5 percentage points.



- The acquisition of Zimbra accelerates these recurring revenue streams. We are combining Zimbra's software expertise with Synacor's managed services expertise, and leveraging a cost-effective sales and delivery network of about 500 hosting partners worldwide.

**As we reflect on the progress we've made in repositioning Synacor – the management team, the Board, and I remain enthusiastic about the long-term potential of the company**

- We are a new, seasoned management team driving financial momentum.
- Synacor is a vehicle to participate in important Digital trends – strategic, high-growth markets that include video, advertising and messaging.
- We have already gained traction executing a business model with strong recurring revenues and SaaS revenues and
- Our Customer platform is compelling, and extends to roughly 120 service providers, 3500 businesses, and 1500 reseller partners worldwide

Thank you and we'll now open the line to your questions. Operator?

Operator: Q&A and Close the Call

Thank you, operator and thank you everyone for being on the call. We are pleased to have been able to report today on the progress in our business and our initiatives for growth. I look forward to updating you again on our next quarterly earnings call.

Thank you and have a good evening.